

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 AGR-05 L-03 EB-07 /085 W

-----030335Z 047750 /66

R 021030Z JUN 77

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 4888

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PASS AID/ASIA/BIS AND USDA

E.O. 11652: N/A

TAGS: EAGR, EAID, BG

SUBJECT: PL-480, TITLE I AMENDMENT: FIRST NEGOTIATING SESSION

REFS: A. STATE 96386 B. DACCA 2445

1. SUMMARY: AT FIRST NEGOTIATING SESSION, BDG ACCEPTED U.S. OFFER TO SUPPLY 75,000 MT WHEAT AND 75,000 MT RICE BY AMENDING APRIL 1, 1977, PL-480 AGREEMENT, BUT REJECTED ADDITION TO SELF-HELP MEASURES SECTION, PROPOSED PARA 4, REFTEL A. BDG OFFERED COUNTERPROPOSAL TO "BRING ABOUT REDUCTION IN THE STATUTORY RATION SYSTEM BY EXCLUDING THE AFFLUENT", WHICH CONTAINS NO RPT NO TIME FRAME OR QUANTIFIABLE MEASURE. DISCUSSION ALSO BROUGHT OUT INFORMATION ON PROPOSED BDG FY 78 PROCUREMENT TIME-TABLE AND PRICES. BDG TEAM SAID THEY UNINFORMED AND COULD NOT COMMENT ON DR. HUDA'S HINTS OF FOOD POLICY CHANGES TO COME, REFTEL B. WE SUGGEST A NEXT STEP ON SELF-HELP MEASURES. END SUMMARY.

2. TO OPEN SUBJECT NEGOTIATIONS, WE HAD SENT MAY 16 TEXT OF DRAFT NOTE (PARA 4, REFTEL A) TO RELEVANT BDG OFFICIALS. OUR FIRST NEGOTIATING SESSION WAS HELD JUNE FIRST BETWEEN DR. FAKRUDDIN AHMED, JOINT SECRETARY, LIMITED OFFICIAL USE

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PLANNING; AND ANISUZZAMAN KHAN, JOINT SECRETARY, FOOD; PLUS THREE DEPUTY SECRETARIES FROM SAME MINISTRIES ON BDG SIDE, AND AID MISSION DIRECTOR TONER, ECON COUNSELOR, AGATT, AID DEPUTY DIRECTOR, AID PROGRAM OFFICER AND REGIONAL LEGAL ADVISOR ON U.S. SIDE.

3. DR. AHMED THANKED US FOR OFFER OF 75,000 MT WHEAT AND

75,000 MT RICE AND IMMEDIATELY ACCEPTED ALL PROPOSED AMENDMENTS TO AGREEMENT EXCEPT THAT ADDING NEW PARAGRAPH 5 TO SELF-HELP MEASURES SECTION, CALLING FOR 10,000 MT REDUCTION IN MONTHLY STATUTORY RATION OFFTAKES.

DR. AHMED AND ANISUZZAMAN KHAN EMPHASIZED THAT BDG WAS COMMITTED TO REDUCING RATION OFFTAKES AND COULD ACCEPT IN PRINCIPLE LANGUAGE IN AMENDMENT CONFIRMING THAT COMMITMENT. HOWEVER, PROBLEM WAS HOW BEST TO ACHIEVE A REDUCTION. THERE WERE TWO POSSIBLE WAYS TO DO THIS:

(1) CUT THE RATION; (2) REDUCE THE BENEFICIARIES. THE FIRST WAY WAS CLEARLY INEQUITABLE, FALLING BARDEST ON THE POOR. BDG BELIEVED BEST APPROACH WAS THE SECOND WAY, SPECIFICALLY TO WITHDRAW SR PRIVILEGE FROM "AFFLUENT SECTION", AND THUS REDUCE TOTAL NUMBER OF RATION USERS. AFFLUENT CARDHOLDERS WERE AT PRESENT ESTIMATED AT ABOUT 100,000 SR BENEFICIARIES OUT OF TOTAL OF 2.6 MILLION IN DACCA. FIRST STEP WOULD BE TO TAKE "MINI-CENSUS" IN SIX SR CITIES TO IDENTIFY AFFLUENT. THIS WOULD TAKE TIME AND BDG WOULD WELCOME U.S. TECHNICAL ASSISTANCE TO CONDUCT SURVEY. AGAINST THE NEED TO CONDUCT CAREFUL SURVEY, BDG DID NOT WISH TO TAKE ANY STEP AT PRESENT.

4. U.S. STATEMENT: USAID DIRECTOR EMPHASIZED OUR FAVORABLE IMPRESSION OF TWO DEVELOPMENTS: (1) PUBLIC ATTENTION FOCUSED BY PRESIDENT ZIA DURING RURAL TOURS ON NEED TO REACH GOAL OF AGRICULTURAL SELF-SUFFICIENCY AND TO INCREASE FOODGRAIN PRODUCTION BY 50 PERCENT; AND (2) THE INFORMAL INDICATIONS OF FORTHCOMING FOOD POLICY MEASURES OUTLINED MAY 5 BY DR. HUDA TO DONORS, REFTEL B. LIMITED OFFICIAL USE

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WE BELIEVED, HOWEVER, THAT TO ACHIEVE GOALS SET BY PRESIDENT ZIA, NEW POLICY MEASURES WERE OVERDUE. NO POSITIVE FOOD POLICY MEASURES HAD BEEN DECIDED ON SINCE MAY/JUNE 1975 AND NONE IMPLEMENTED SINCE JUNE/JULY 1976. WE ALSO STRESSED OUR CONCERN WITH HOW U.S. FOOD MIGHT BEST SUPPORT BDG EFFORTS TO ACHIEVE FOODGRAIN SELF-SUFFICIENCY AND REDUCE BDG DEPENDENCE ON IMPORTED FOOD TO SUPPLY THE URBAN CONSUMER. SPECIFICALLY, WE NEEDED TO AGREE ON A MEASURABLE COMMITMENT TO REDUCE THAT DEPENDENCE, SUCH AS OUR PROPOSED NEW SELF-HELP MEASURE. FINALLY, WE PROVIDED SHIPPING SCHEDULE FOR 200,000 MT WHEAT UNDER APRIL FIRST AGREEMENT AND STATEMENT ON CARGO TERMS FROM STATE 120271, AND BROUGHT REPORTING REQUIREMENT (PARA 6, REFTEL A) ON SHIPPING SCHEDULE TO BDG ATTENTION.

5. BDG PROPOSED SELF-HELP MEASURE. BDG OFFICIALS OFFERED FOLLOWING PROPOSED TEXT OF ADDITIONAL SELF-HELP MEASURE: BEGIN TEXT: THE GOVERNMENT OF BANGLADESH WILL BRING ABOUT A REDUCTION OF OFFTAKES IN THE STATUTORY RATION

SYSTEM BY EXCLUDING THE AFFLUENT SECTION OF THE
POPULATION. THIS WILL BE EFFECTED ON THE COMPLETION OF
A THOROUGH STUDY OF THE COMPONENT OF POPULATION IN THE
SR AREAS AND AFTER TAKING ALL ADMINISTRATIVE MEASURES.
END TEXT.

6. USG RESPONSE. AID DIRECTOR NOTED THAT AS BDG
FORMULATION CONTAINED NO SPECIFIC TIME FRAME OR
QUANTIFIABLE REDUCTION IN OFFTAKES, IT WOULD GIVE US
CONSIDERABLE DIFFICULTY. WE WOULD NEVERTHELESS STUDY
IT, CONVEY IT TO WASHINGTON AND RETURN WITH A REACTION
TO IT.

7. PROCUREMENT DRIVE. RESPONDING TO U.S. REQUEST, BDG
OFFICIALS PROVIDED RATIONALE AND INFO ON PROCUREMENT DRIVE
PLANS:

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(A) FY 1977 PROCUREMENT DRIVE HAD BROUGHT IN ONLY
300,000 MT TO DATE, BUT HAD BEEN UNDERTAKEN AT
TIME WHEN MARKET PRICES HAD GENERALLY RULED ABOVE
PROCUREMENT PRICE, BDG OFFICIALS SAID. THUS,
WHILE 500,000-TON TARGET NOT REACHED, PRICE TO

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TO SECSTATE WASHDC 4889

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FARMER AT TAKA 85 TO 90 PER MAUND (82 POUNDS)

HAD BEEN WELL ABOVE ADMINISTRATION'S ESTIMATE OF PRODUCTION COSTS I.E., TAKA 40 PER MAUND FOR LOCAL VARIETIES OF RICE AND TAKA 54 TO 55 PER MAUND FOR HIGH YIELDING VARIETIES. ABOUT 296,000 MT (IN TERMS OF RICE) OF AMAN (WINTER HARVEST) PADDY HAD BEEN OBTAINED, BUT ONLY 1,500 MT OF BORO RICE (AGAINST 50,000-TON TARGET) AND 2,500 MT OF WHEAT (AGAINST 50,000 TO 100,000 MT GOAL). FLOOD REDUCED BORO HARVEST AND FACT OPEN MARKET PRICES RULED ABOVE PROCUREMENT PRICE ACCOUNTED FOR DISAPPOINTING PERFORMANCE IN APRIL AND MAY;

(B) PROCUREMENT PRICES FOR FY 1977 AND FY 1978.
PROCUREMENT PRICES FOR FY 1977 WERE:

CROP	TAKA PRICE PER MAUND (82 POUNDS)	
	PADDY	MILLED RICE

AUS AND BORO (SUMMER & SPRING CROP)	74	116
AMAN, COARSE MEDIUM	78	122
MEDIUM	78	124
WHEAT	78	
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ALL PRICES INCLUDED A FOUR TAKA TRANSPORT BONUS. NO DISTINCTION IN TERMS OF PROCUREMENT PRICE WAS MADE BETWEEN LOCAL AND HYV VARIETIES, BECAUSE IT WAS VERY DIFFICULT TO DISTINGUISH BETWEEN LOCAL PADDY AND HYV PADDY, BDG OFFICIALS EXPLAINED. AMAN PROCUREMENT PRICE WAS HIGHER BECAUSE QUALITY WAS GENERALLY HIGHER, AND MOISTURE CONTENT LOWER, THAN FOR AUS AND BORO RICE. THE BDG HAD YET TO DECIDE ON THE PROCUREMENT PRICES FOR FY 78, BUT THE AMAN PRICE WOULD BE ANNOUNCED BY END-JUNE. THE FY 78 PRICES WOULD NOT BE LOWER THAN THOSE FOR FY 1977, THEY SAID:

(C) TIMING OF FY 1978 PROCUREMENT DRIVE. IN RESPONSE TO OUR QUESTIONS, BDG OFFICIALS SAID THAT MONTHLY SCHEDULE OF FY 78 (JULY TO JUNE) PROCUREMENT EFFORT SHOWED NO PROCUREMENT FROM JULY THROUGH NOVEMBER. NO AMAN RICE WAS IN FACT PROCURED BEFORE ABOUT DECEMBER FIRST. AMAN HARVEST BEGAN IN SECOND HALF OF NOVEMBER, BUT PADDY NOT DRY ENOUGH TO SELL TO BDG FOR ABOUT TWO WEEKS. (THE 35,000 MT PROCURED IN NOVEMBER 1975, HAD INCLUDED 27,000 MT OF AUS CROP RICE, BDG OFFICIALS STATE.) FOLLOWING RELEASE ROUSSEAU REPORT, WITH ITS EMPHASIS

ON DANGERS OF LOSS IN STORAGE, BDG WAS RELUCTANT TO REPEAT
75/76 EXPERIENCE OF PURCHASING RELATIVELY DAMP BORO
AND AUS RICE DURING MONTHS OF JULY THROUGH NOVEMBER.
NEVERTHELESS, THE BDG PROCUREMENT CENTERS WOULD BE
OPEN TO BUY ADEQUATELY-DRYED BORO AND AUS RICE DURING
JULY-NOVEMBER 1977 PERIOD, BUT AGAINST 1975 EXPERIENCE
AND 1977 SPRING FLOODING, BDG COULD NOT COUNT ON PURCHASING
DRY RICE FROM THESE CROPS. WE WERE NOT GIVEN ACUAL
MONTHLY PROCUREMENT SCHEDULE THROUGH JUNE 1978,
BUT BDG OFFICIALS SAID MONTHLY ESTIMATES TOTALED
500,000 MT. FORECAST WOULD BE RELEASED SOON BY
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WFP ADVISOR. (WE ASSUME THIS SAME SCHEDULE AS THAT GIVEN
CANADIANS, SEE DACCA 2972.)

8. COMMENT: BDG PROPOSED SELF-HELP ALTERNATIVE TEXT
IS CLEARLY UNACCEPTABLE. IN ADDITION TO BEING
UNQUANTIFIABLE, IT WOULD BE READILY CIRCUMBENTED BY
AFFLUENT WHO COULD AFFORT TO BUY RATION CARDS FROM
ADMINISTRATORS. BEFORE PROPOSING LANGUAGE FROM
PARA BTN REFTEL A, WE INTEND TO EXPLORE ALTERNATIVE MEANS
OF ACHIEVING QUANTITATIVE REDUCTION IN SR OFFTAKES; FOR
EXAMPLE, BY PROPOSING BDG INCREASE WHEAT RATION AND DECREASE
RICE RATION, THEREBY SENDING AFFLUENT ON TO OPEN MARKET
TO BOTAIN FERFERRED COMMODITY, RICE.
MASTERS

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